Confidential
Ask before sharing

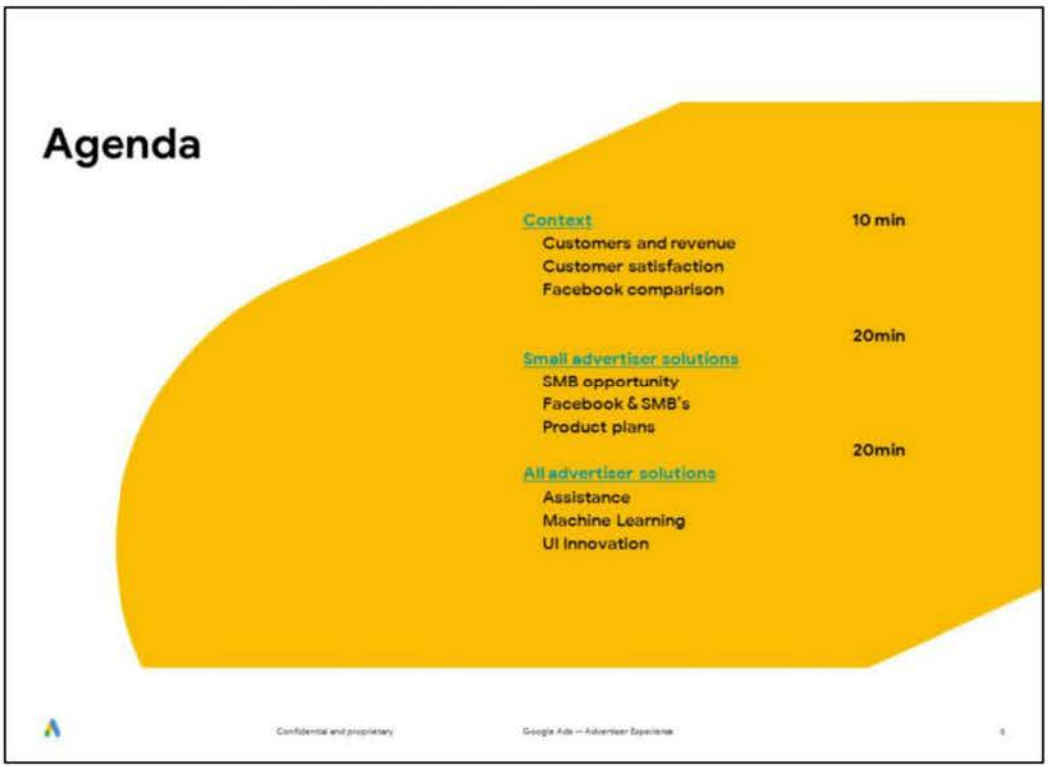
Advertiser Experience

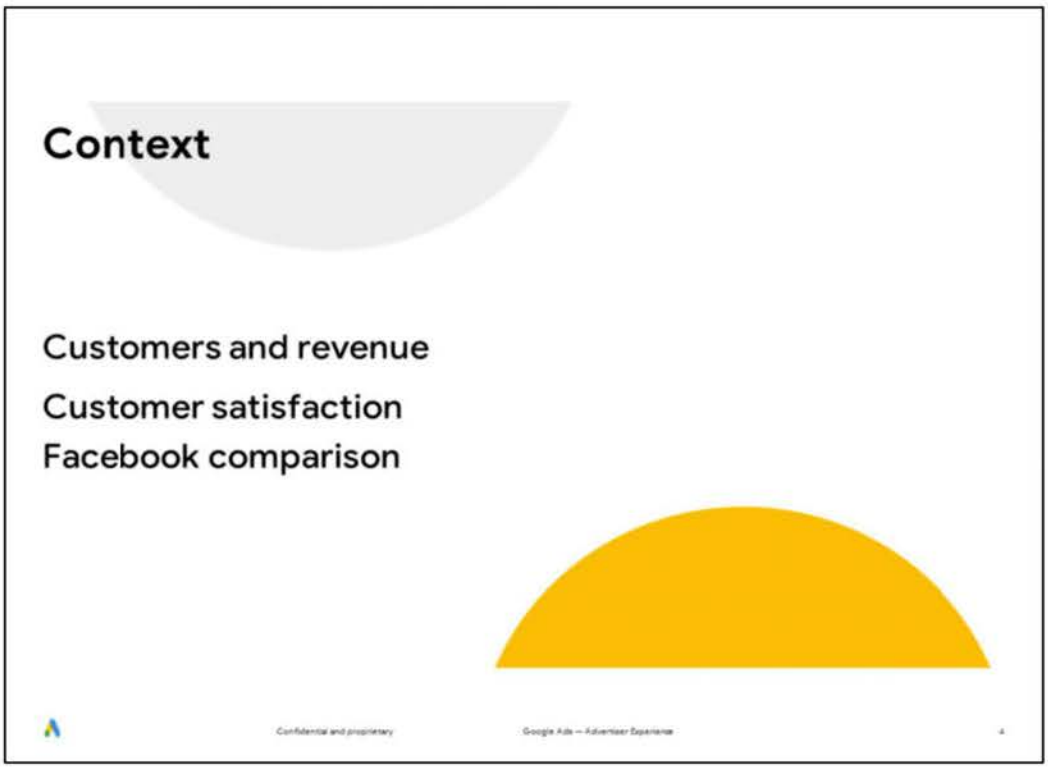
6.20.2019

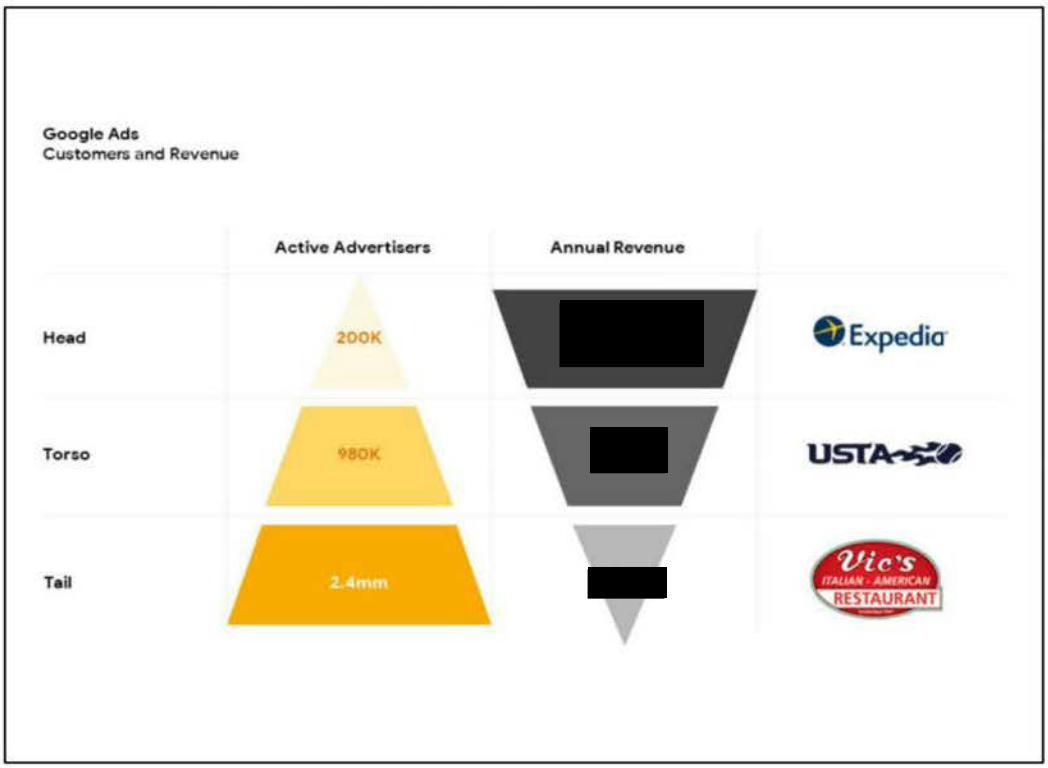
Objectives

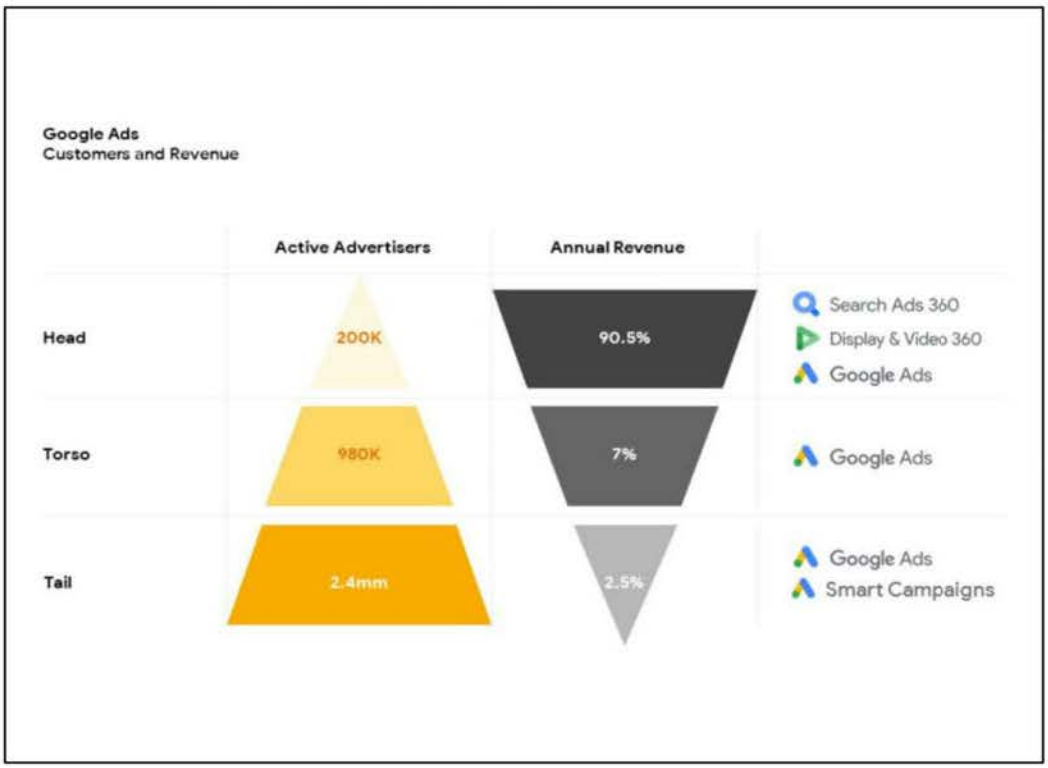
Provide context on our advertiser products and business.

Share the investments we are making to simplify our solutions, for both small and large advertisers.


Agenda
Context
Customers and revenue
Customer satisfaction
Facebook comparison
10 min
Small advertiser solutions
SMB opportunity
Facebook & SMB's
Product plans
20min
All advertiser solutions
Assistance
Machine Learning
UI Innovation
20min
Confidential and proprietary
Google Ads — Advertiser Experience


Context
Customers and revenue
Customer satisfaction
Facebook comparison
Confidential and proprietary
Google Ads — Advertiser Experience


Google Ads
Customers and Revenue
Active Advertisers
Annual Revenue
Head
200K
[redacted]
Expedia
Torso
980K
[redacted]
USTA
Tail
2.4mm
[redacted]
Vic's
ITALIAN - AMERICAN
RESTAURANT


Google Ads
Customers and Revenue
Active Advertisers
Annual Revenue
Head
200K
90.5%
Search Ads 360
Display & Video 360
Google Ads
Torso
980K
7%
Google Ads
Tail
2.4mm
2.5%
Google Ads
Smart Campaigns

Id	Date	Text
1	07/15/2019 13:15:36	+kimspalding@google.com is there a worldwide (ex. China may be) ad spend version of this pyramid? Or FB's revenue pyramid?
1	07/15/2019 13:15:36	I'll send you a few things (not for broad distribution).

User segments and spend

Segment	# Divisions	Service Channel	GMS segments	Spend (2Q)	Users/Meetings
Head	50k 474k Customers	62% LCS; 43% GMS	52% HV+++; 22% HV++	$36b 74%	18.3/division 1228.9 avg/div (2Q)
Torso	2.4m 2.7m Customers	5% LCS; 64% GMS	48% UMM; 28% LMM	$12b 25%	1.9/division 31.2 avg/div (2Q)
Tail	1.5m 1.5m Customers	37% GMS; 62% Unassgnd	15% UMM; 80% LMM	$0.21b 0.43%	1.3/division 14.9 avg/div (2Q)
Long Tail	1.0m 1.0m Customers	24% GMS; 75% Unassgnd	8% UMM; 88% LMM	$0.01b 0.02%	1.2/division 20.2 avg/div (2Q)

LCS: Large Customer Sales
GMS: Google Marketing Solutions
UMM: Upper Mass Market
LMM: Lower Mass Market

Source: Who are the AdWords torso advertisers? (Data gathered from Q4 2017 and Q1 2018)

gTech

Google Ads
Customers and Revenue

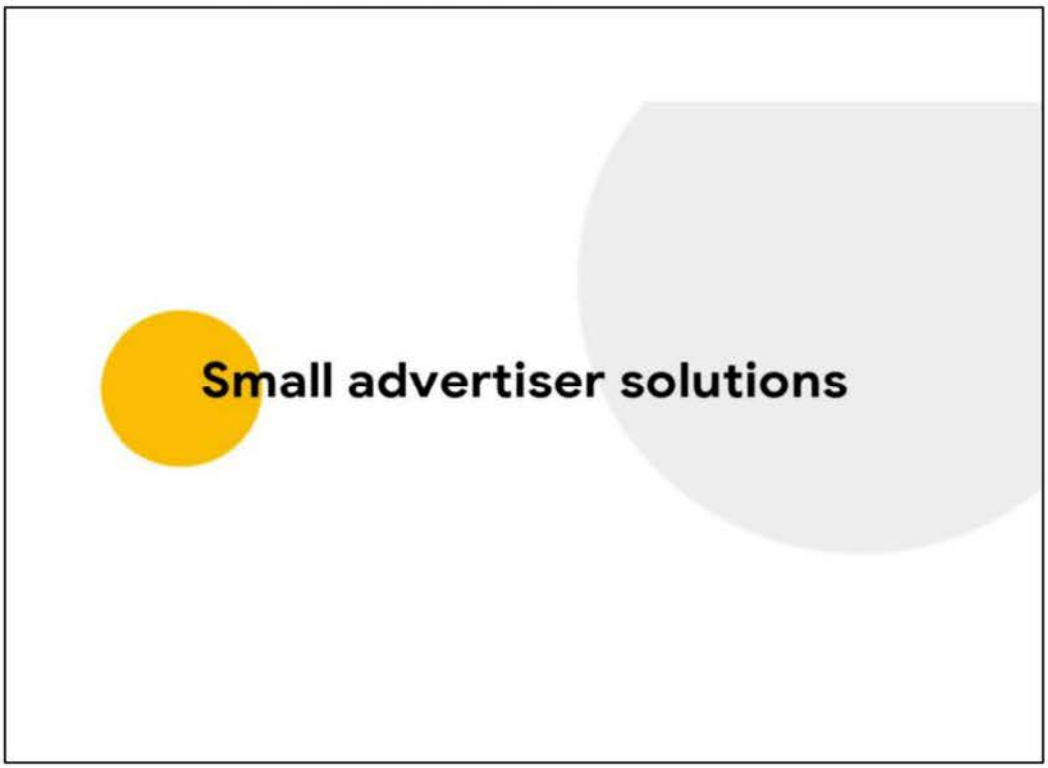
Based on Q1 Google Ads Wave **CSAT survey**. 7 point scale, top 2 are Satisfied

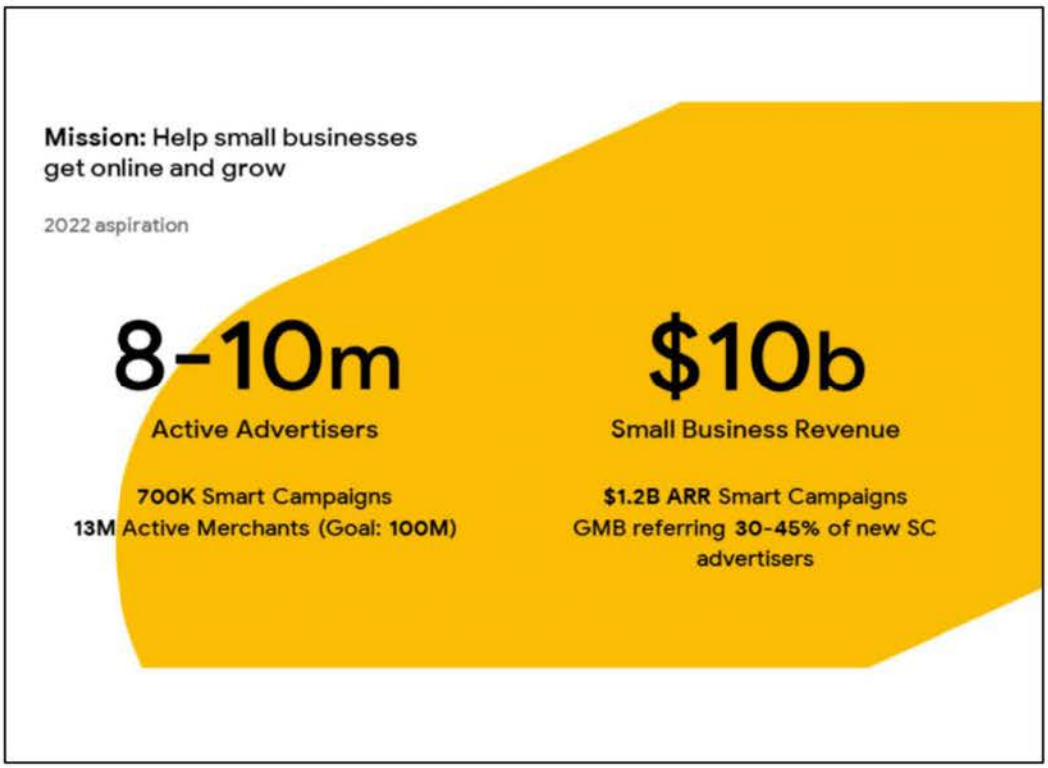
FB results based on respondents w/self-declared usage

	Google Ads			facebook Ads		
	Overall	**Results**	**Ease-of-use**	**Overall**	**Results**	**Ease-of-use**
Head	54	50	41	43	39	43
Torso	46	41	26	40	36	47
Tail Google Ads	40	36	28	44	38	52
Smart Campaigns	43	39	49	41	37	50

Facebook Ads vs. Google Ads
Key differences

	Campaigns	Targeting	Performance
Facebook Ads	**One campaign type** that buys across all user properties: Feed, Instagram, Messenger.	Advertiser selects **audiences** relevant to their business. Intuitive for non-experts.	Strength is **demand generation and discovery**, driven by audience targeting and browse-based user experiences.
Google Ads	**Individual campaign types** that buy on distinct user properties: Search, Display, Video, Discovery.	Search uses **keywords** to precisely match user intent. Audiences supported for all campaign types.	Strength is **delivering leads and sales from qualified users**, driven by Search and strong user intent signals.


Small advertiser solutions


Mission: Help small businesses get online and grow
2022 aspiration
8-10m
Active Advertisers
700K Smart Campaigns
13M Active Merchants (Goal: 100M)
$10b
Small Business Revenue
$1.2B ARR Smart Campaigns
GMB referring 30-45% of new SC advertisers

Id	Date	Text
2	07/15/2019 13:16:11	+kimspalding@google.com is the ambition to go from $1.2B to $10B in 3.5 years? Just to make sure I am reading the math right.
2	07/15/2019 13:16:11	Current SB revenue is estimated at about $6B.

SMBs need simple solutions to digital marketing.

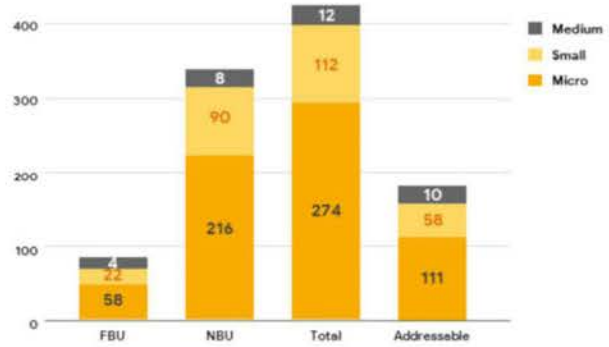
Bharath Arts & Crafts
Channapatna, Karnataka, India

Cukin Food Trucks
San Isidro, Buenos Aires, Argentina

Admiral Plumbing
Boca Raton, Florida, USA

We have an addressable market of ~170M SMBs

- **Lifestage matters** (most SMBs are small/micro)
- **NBU** is must-win (~60% of addressable SMBs but <30% of monetization potential)
- SMBs aren't "always on" with ads, testing **alternate monetization & engagement models**
- We partner with organic teams (local search, GMB, YT) to **engage SMBs broadly**



Note: SMBs exclude self-employed/gig economy workers. Micro: <1 employee, Small: <10, Medium: 10-9. Source: GCS Strat Ops analysis
Addressable market estimates access to internet and excludes some B2B verticals / agriculture
We estimate our 2022 active advertiser count to be ~2M medium, ~5-6M small and ~1-2M micro; ~60% FBU by advertiser count, ~75% FBU by revenue

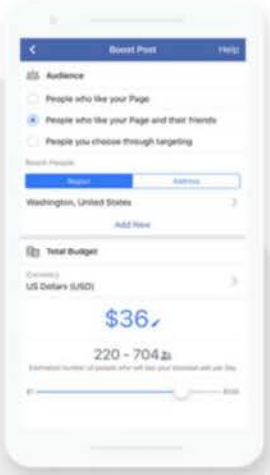
Facebook Ads: Consumer-focused platform favors SMBs

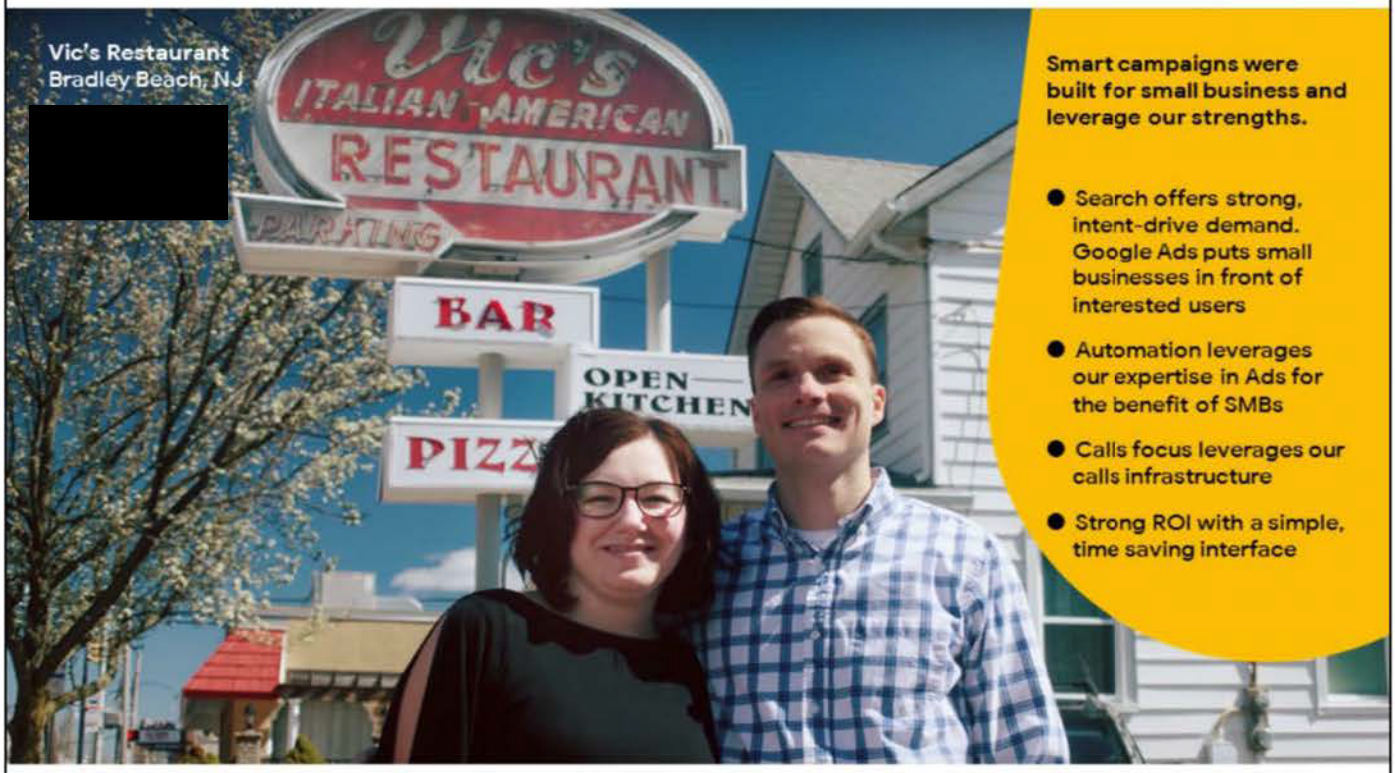
Facebook has inherent strengths for SMBs

- Familiar consumer experience
- No website / technical skills needed to build biz pages with lightweight ads onboarding
- Visual ad formats support discovery
- Social engagement metrics are intuitive (but weaker ROI)

To capture our addressable market, we are

- Meeting SMBs where they are - in GMB, YouTube, Search.
- Building ads-ready pages (CTAs, conversion tracking)
- Adding visual ad formats and moments for discovery (Feed)
- Focusing on direct connections with clear ROI (calls, leads)



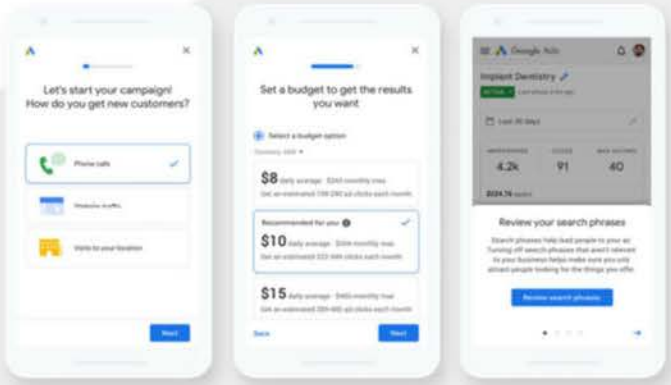

Vic's Restaurant
Bradley Beach, NJ
[redacted]
Vic's
ITALIAN-AMERICAN
RESTAURANT
PARKING
BAR
OPEN
KITCHEN
PIZZ
Smart campaigns were built for small business and leverage our strengths.
Search offers strong, intent-drive demand. Google Ads puts small businesses in front of interested users
Automation leverages our expertise in Ads for the benefit of SMBs
Calls focus leverages our calls infrastructure
Strong ROI with a simple, time saving interface

Simple experiences make it easy

Smart campaigns are simple, guided and automated.

New campaigns can be setup in <10 minutes with inline chat and suggested ads built in.

Universal - offers the best of Google ad inventory in an automated campaign (e.g., Search, Display, YT)



Calls our most common goal

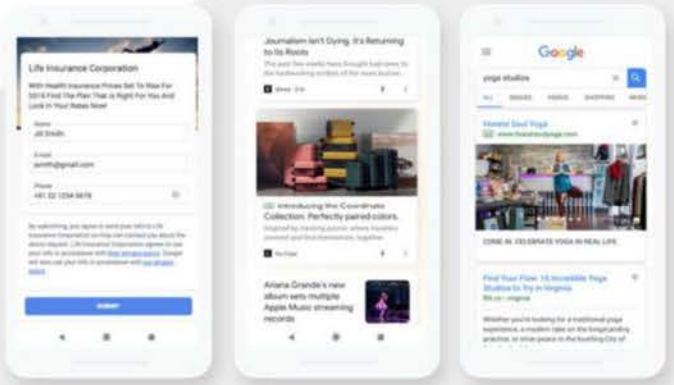
Budget packages set context

Guided actions & in-line chat

New ad formats help users discover new businesses

We are investing in new, visual ad formats to help users discover new businesses.

This is important for all markets - and critical for NBU



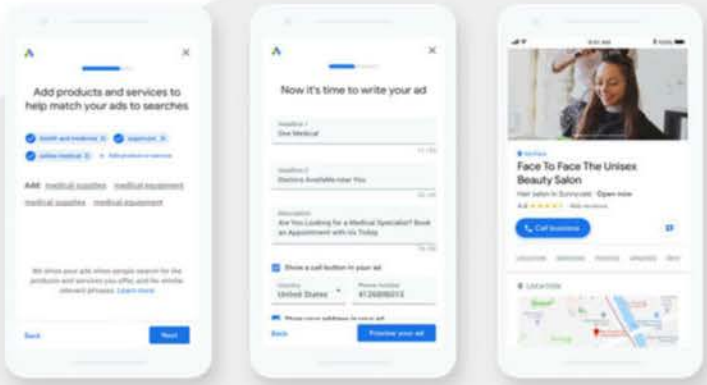
Lead gen ads | Feed ads | Gallery ads

Automation enables SMBs to advertise like experts

We are generating landing pages for SMBs without websites

And use ML-based automation to deliver best practices:

- Automated bidding and budget allocation
- Automated creatives
- Automated consumer / query targeting from website content
- Sparse data, conversions



Automated targeting, X-network bidding & budget optimization

Suggested ad text and automated extensions

Instant landing pages (no website required)

Next big challenges - Smart Campaigns

Real and Perceived ROI

- More direct connections
  (e.g., volume & quality of calls, improved targeting)
- Offer instant landing pages
  (mobile ready with CTAs & tracking)
- Investing in higher quality ad networks
  (LU Ads, Gmail Ads)
- Focusing on reactivation - most SMBs aren't "always on"

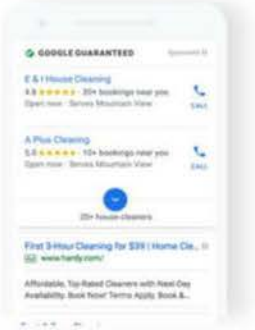
One Google

- Engage SMBs where they are on Google
  (Search, GMB, YouTube, GPay)
- Testing ads fully integrated in GMB
  (Ads Go)
- Building simple, in-context ads buying for SMBs on YouTube

And making bold, long-term bets to win SMBs globally

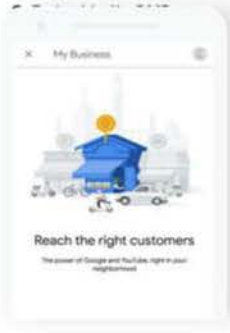
Local Services

- Google Guarantee
- Vertical marketplace
- Distinctive results for SMBs (pricing, quality, badging, simplicity)



Ads Go for NBU

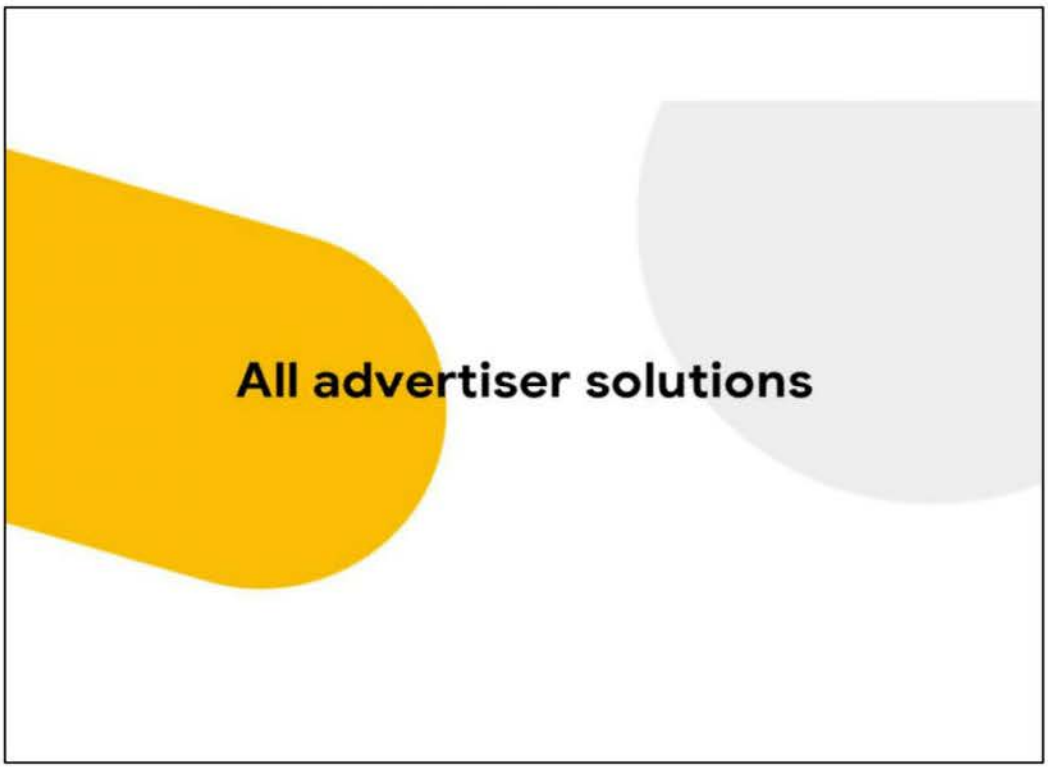
- Simple (no ad creative or website)
- Focused on leads (vs clicks)
- Search + YouTube
- Emphasis on top up

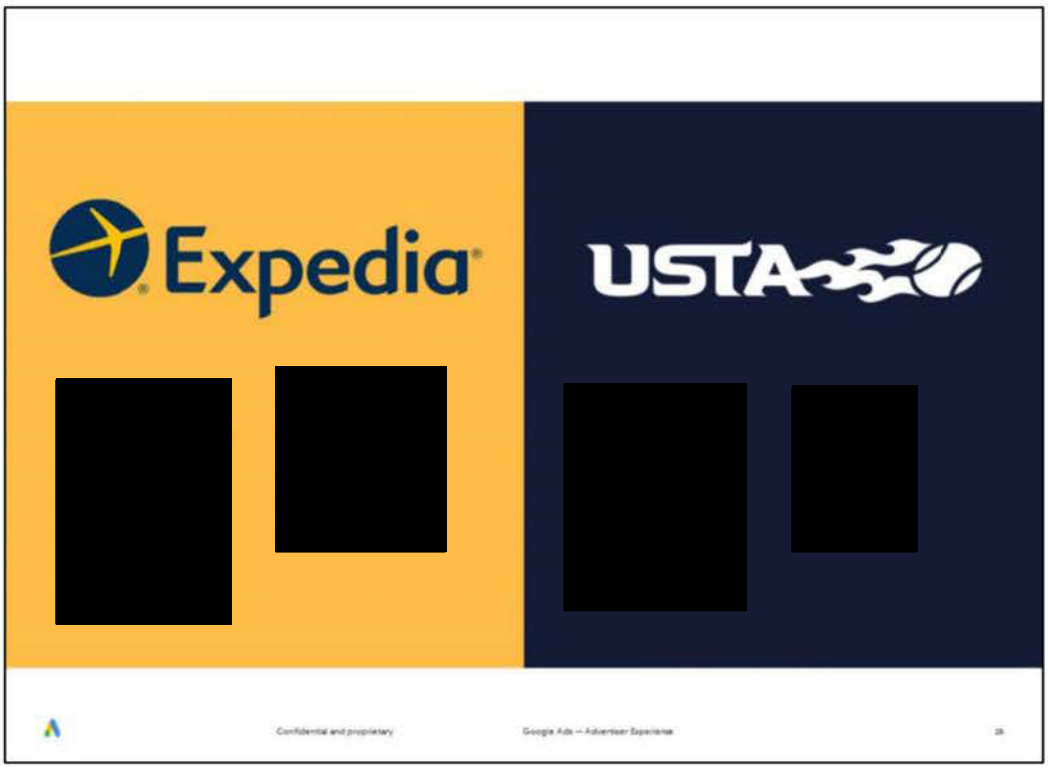


Bundle (Subscription)

- Always on, low fixed price
- Certifications, badging
- Enhanced placesheets
- Call recordings, analytics

Challenges / Risks
SMBs
NBU activation
Cross PA efforts required ("One Google")
SMB biz model not yet proven - specifically:
Engaging local consumer experiences
100M SMBs engaged globally in Google My Business
Ads model for micro / NBU businesses


All advertiser solutions


Expedia
USTA

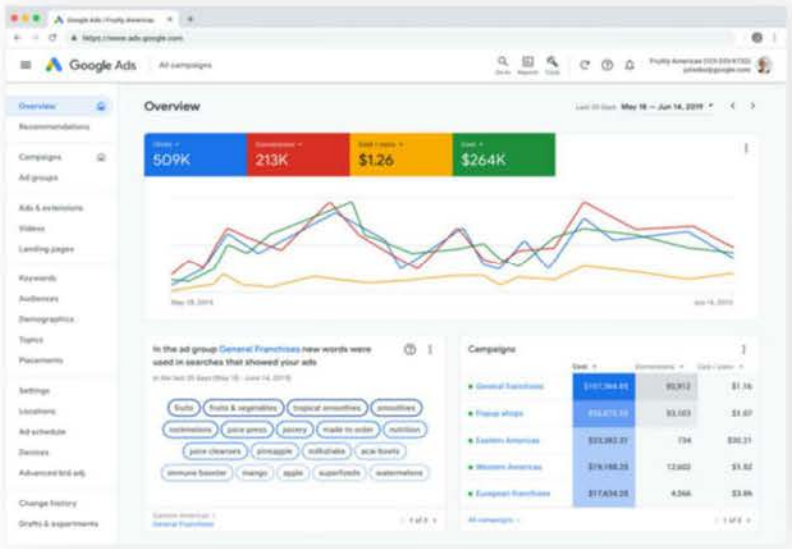
A unified home to buy and manage ads

Consistent, integrated experience across all campaign types.

2.7MM Monthly active users

1.8B changes made per month, touching $90B annual revenue

72% Revenue with >1 campaign type



Our priorities:
Improve ease-of-use +
Grow advertiser success

Assistance

Transform from toolkit for experts to assistive experience that guides advertisers to successful outcomes.

Machine Learning

Use machine learning to dramatically simplify user workload and deliver better results.

UI Innovation

Re-envision traditional UI paradigms to work well for all advertisers.

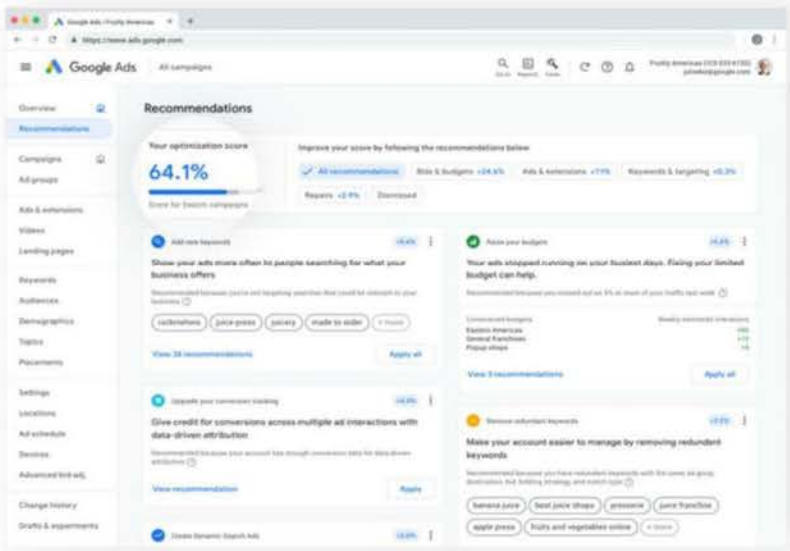
Assistance:
Help advertisers get better results

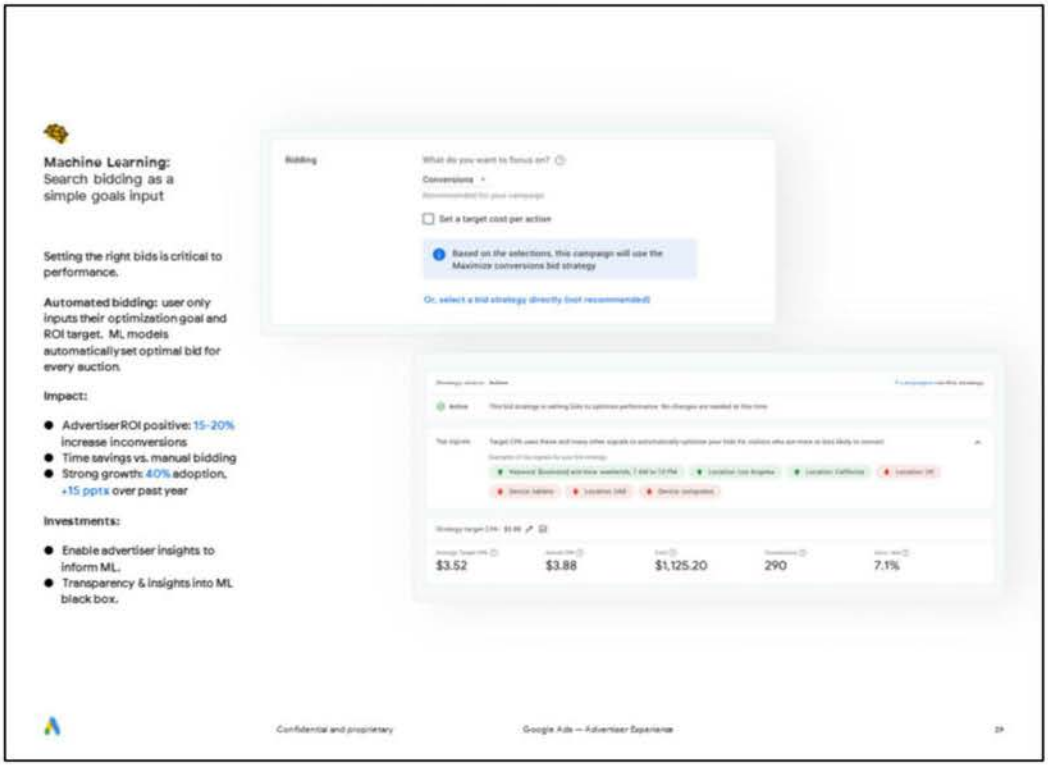
Advertisers care most about improving ROI, but don't always know the best next steps to take.

Recommendations: actionable suggestions to improve campaign performance.

Optimization score: shows headroom for improvement and prioritizes where to take action..

Impact:
- 42% advertiser adoption by spend
- ~$1.2B Incremental revenue
- Sales adopted Opti-Score as a primary KPI



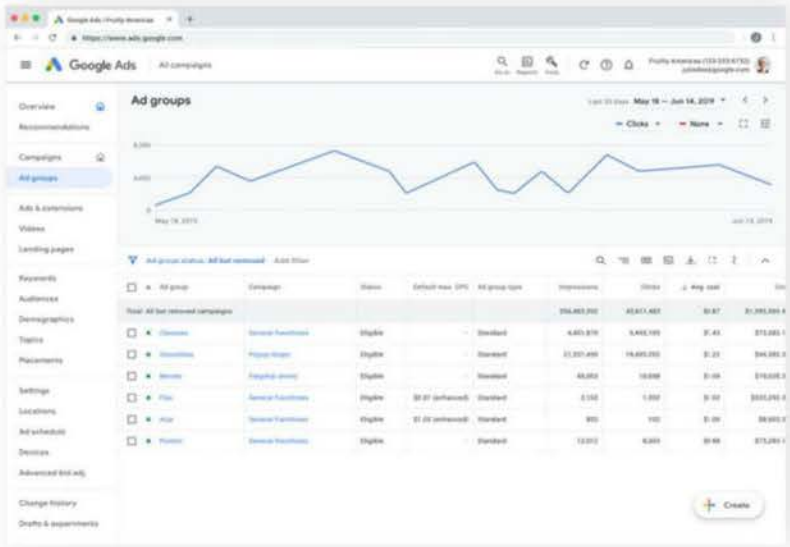

Machine Learning:
Search bidding as a simple goals input
Setting the right bids is critical to performance.
Automated bidding: user only inputs their optimization goal and ROI target. ML models automatically set optimal bid for every auction.
Impact:
Advertiser ROI positive: 15-20% increase in conversions
Time savings vs. manual bidding
Strong growth: 40% adoption, +15 ppts over past year
Investments:
Enable advertiser insights to inform ML.
Transparency & insights into ML black box.
Bidding
What do you want to focus on?
Conversions
Set a target cost per action
Based on the selections, this campaign will use the Maximize conversions bid strategy
Or, select a bid strategy directly (not recommended)
$3.52
$3.88
$1,125.20
290
7.1%
Confidential and proprietary
Google Ads — Advertiser Experience

UI Innovation:
An adaptive experience that scales for all users

Today's UI is tabular / hierarchical - works well for large accounts. Once a campaign is created, you edit it through the tables.

For new / small advertisers this can feel heavyweight (50% of torso advertisers have <5 campaigns).

Adaptive UI concept: for small accounts, provide a simple summary view & make editing work the same as creation.



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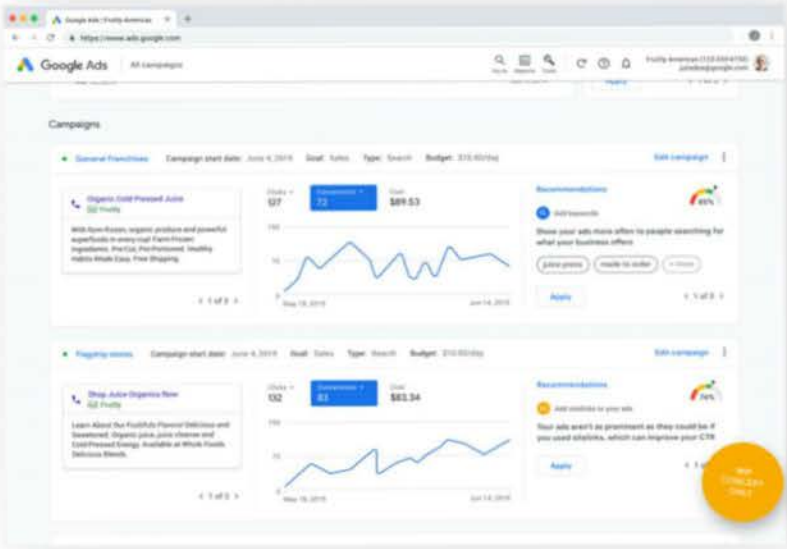
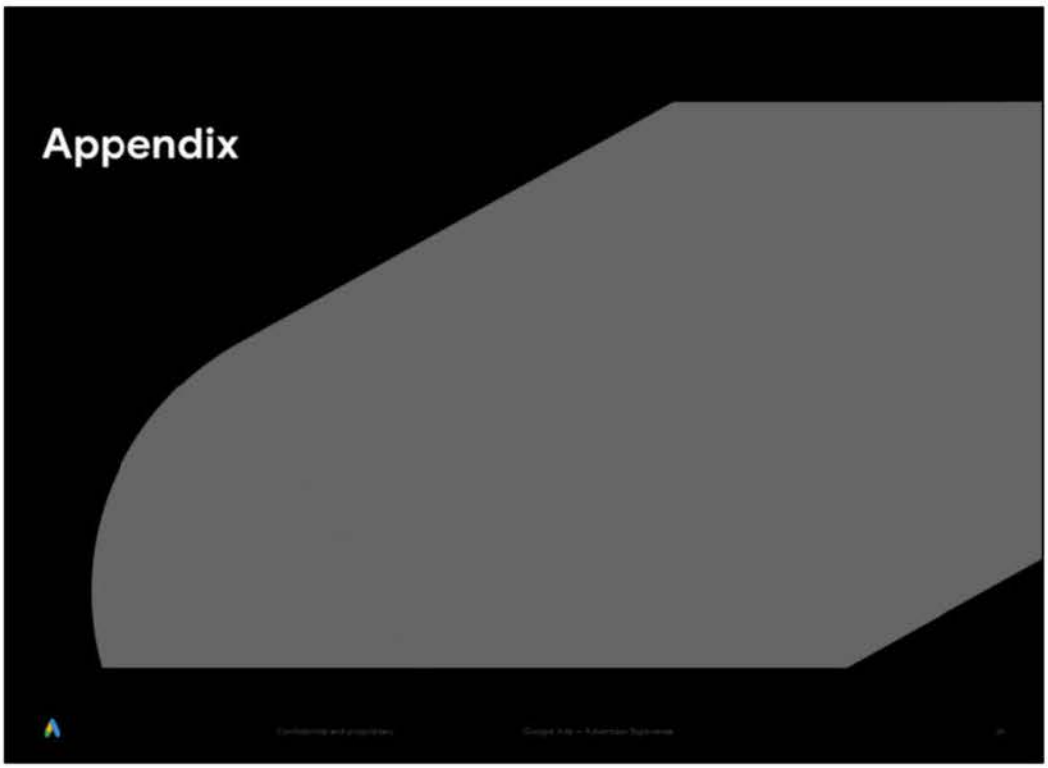
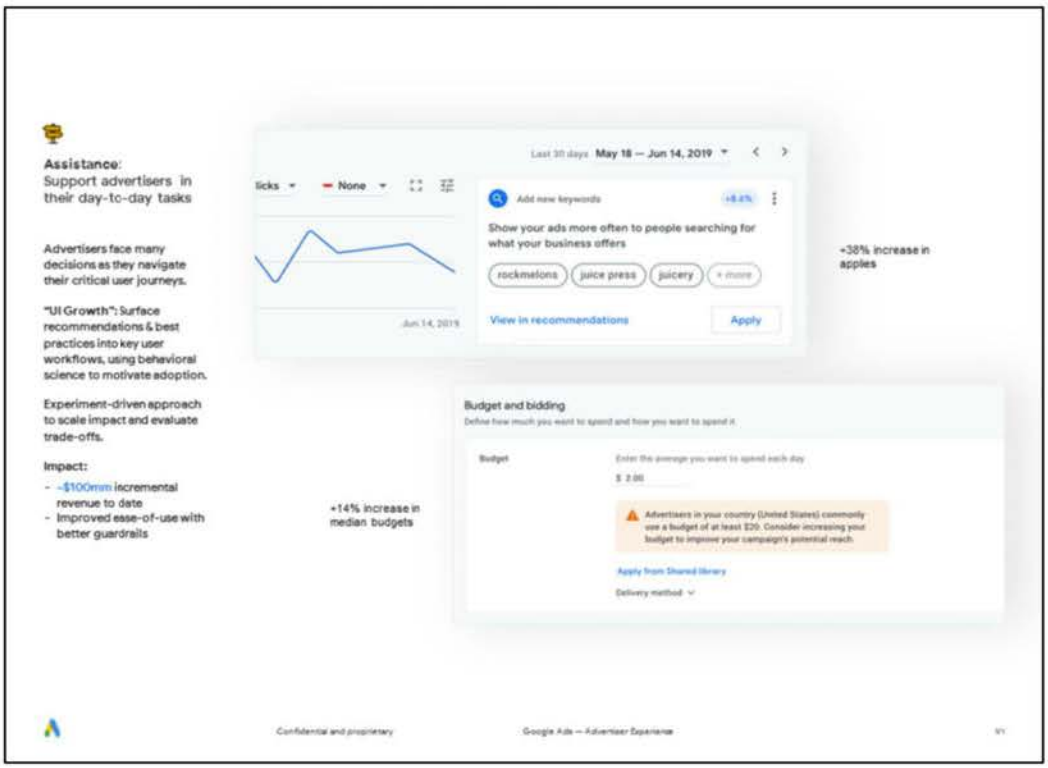


Challenges / Risks
All Advertisers
ITP / Browser changes reducing measurement quality - potentially impacting ML effectiveness
Search targeting automation not a solved problem for torso / head advertisers
Universal campaigns can simplify our portfolio long-term, but adding more choices in the near/mid-term


Appendix

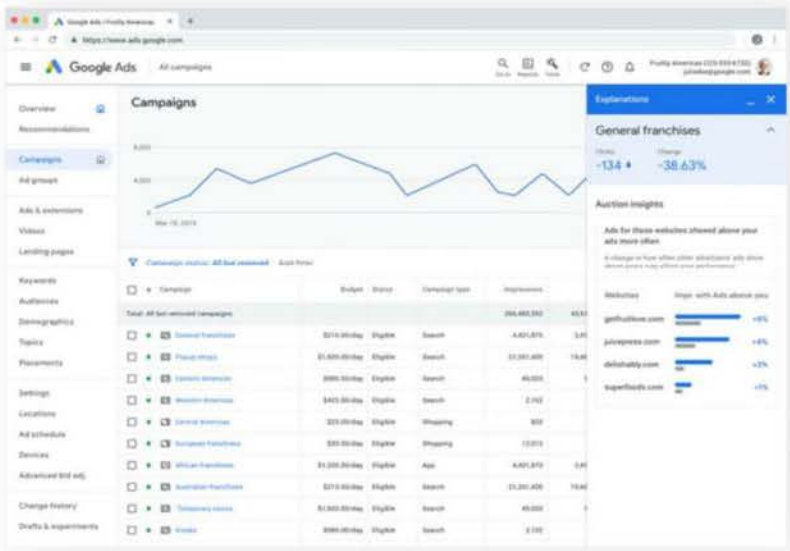

Assistance:
Support advertisers in their day-to-day tasks
Advertisers face many decisions as they navigate their critical user journeys.
"UI Growth": Surface recommendations & best practices into key user workflows, using behavioral science to motivate adoption.
Experiment-driven approach to scale impact and evaluate trade-offs.
Impact:
- ~$100mm incremental revenue to date
- Improved ease-of-use with better guardrails
Last 30 days May 18 — Jun 14, 2019
Clicks
None
Add new keywords
Show your ads more often to people searching for what your business offers
rockmelons
juice press
juicery
View in recommendations
Apply
+38% increase in applies
+14% increase in median budgets
Budget and bidding
Budget
Apply from Shared library
Delivery method
Confidential and proprietary
Google Ads — Advertiser Experience

Assistance:
Provide answers to key questions

Advertisers spend half of their time on reporting; troubleshooting changes in performance is a major pain point.

Explanations: Automatically analyze changes and surface the root causes (e.g. auction, query trends, campaign changes).

In beta, full launch by EoY.



Machine Learning: Reinventing how search creatives work

Creative diversity drives performance, but requires advertiser effort.

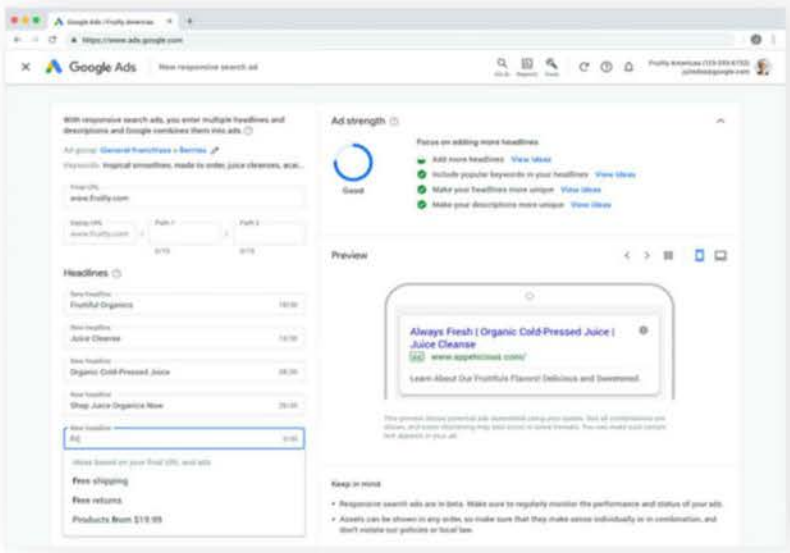
Responsive Search Ads: user provides individual assets. ML automatically assembles assets into multiple full ads.

Impact:

- 27% adoption by spend
- 5-10% increase in clicks
- Lowers adoption barrier to future Search ad formats

Investments:

- Further ML quality improvements (goal is RSA as the default creative)
- Reporting on asset quality



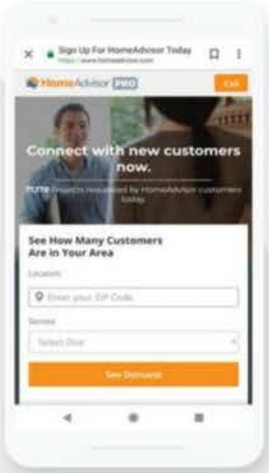
Vertical players: Leads (example Home Advisor)

Home Advisor strengths:

- Lead based advertising
- Simple, lightweight setup and pro-focused tools
- Guaranteed lead quality

Where we win (Local Services):

- Show up at the top of Search
- Google Guarantee helps SMBs compete with larger businesses
- Lead based advertising
- Simple, lightweight setup
- Guaranteed lead quality



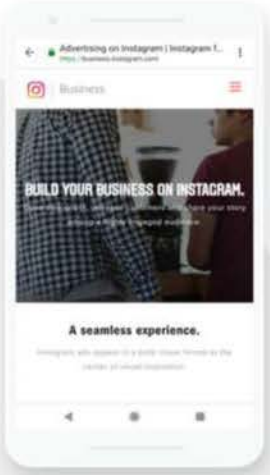
Instagram: Consumer-focused platform + discovery

Instagram strengths:

- Visual, immersive search and discovery with strong reach
- Start with organic content including shoppable posts
- Photo, video and story ads that help introduce new products & brands
- Ease of Use - ads setup embedded in Facebook, default on
- NBU markets (power combo with WhatsApp)

Where we win:

- Land at the top of Search (esp FBU markets)
- Strong user intent and analytics
- Broad set of campaign types available (search, display, apps, YouTube) with strong audience tools
- Augmenting visual ad formats and moments for discovery (Feed)



Amazon: Consumer demand, fulfillment and clear attribution

Amazon strengths:

- Drive shoppers across Amazon to SMB products
- 1st stop in the buying journey for many users
- Owns purchase so can measure and report full ROI (esp important for SMBs and manufacturers)
- Able to manage fulfillment
- Often already has of SKU-based product specs / images (help set up for SMBs without visual assets)

Where we win:

- Land at the top of Search
- Structured product listing ads with and expanding transaction support and a money back guarantee
- Broad set of campaign types available (search, display, apps, YouTube) with strong audience tools
- Retailers may "pay twice" (promotion + transaction)
- More control of brand experience, pricing and positioning

Feed Ads: Current Formats

Launched

In Experiment:

Feed Ads + Play

Feed Ads + Shopping

Single-photo format

Introducing the Coordinate collection, colors in perfect pairs.

App-install format

Helpful, guided meditation to help you breathe, relax & focus.

Shopping format

Shop for unique, local furniture & home decor. Find everything you need to outfit your home.

Multi-photo format

Get summer ready. The Pool Party Collection has arrived.

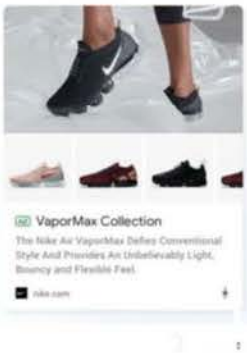
Feed Ads: Evolving formats

Discovery Campaigns

Square format

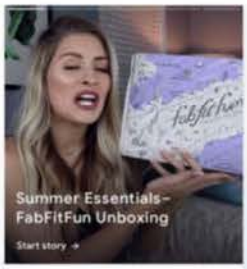
Feed Ads - Shopping

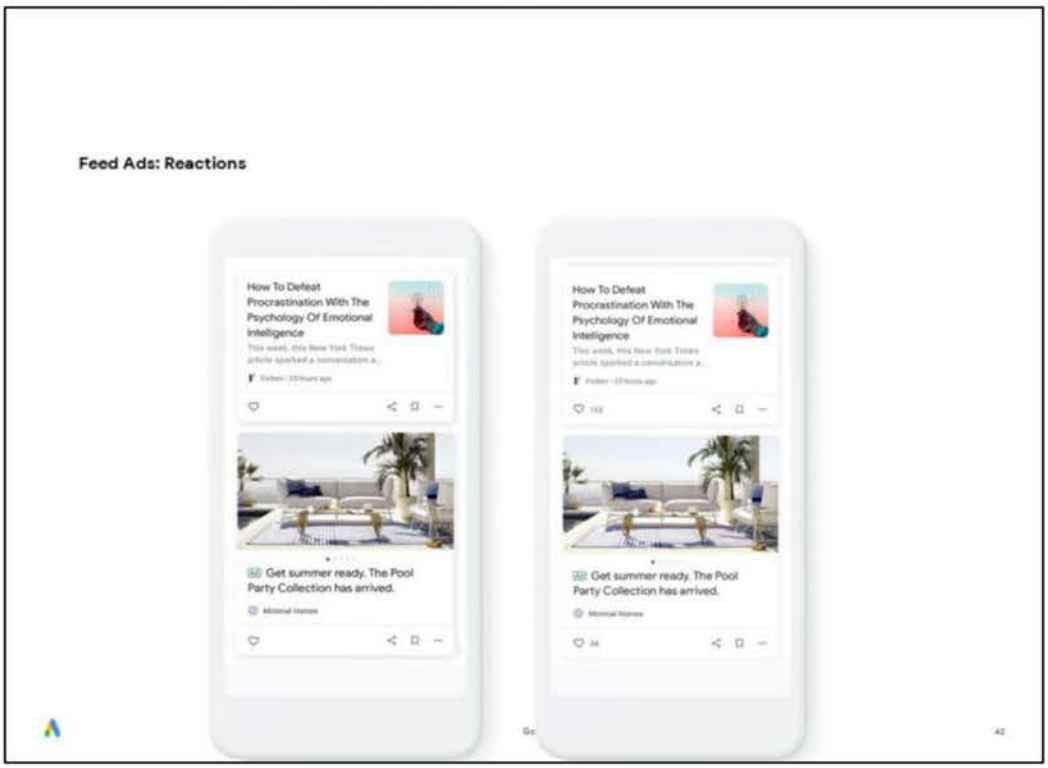
Showcase PLA Collections



Feed Ads - STAMP

Catalog Stories




Feed Ads: Reactions
How To Defeat Procrastination With The Psychology Of Emotional Intelligence
Get summer ready. The Pool Party Collection has arrived.
How To Defeat Procrastination With The Psychology Of Emotional Intelligence
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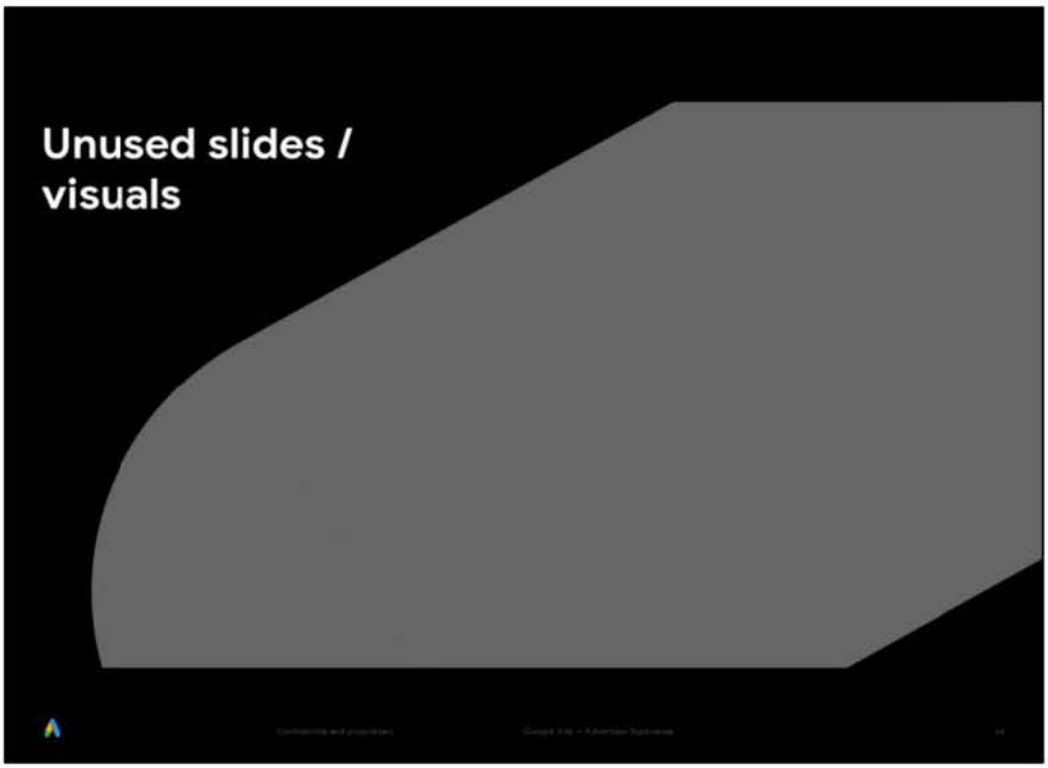
Unused slides /
visuals

Maker's Row
Brooklyn, NY
53%
of small businesses say their number one challenge is finding new customers
Two thirds turn to digital marketing for help
Google
Confidential and proprietary
Google Ads — Advertiser Experience
Google

The small business owner featured here is Suzie Mills. She started with Google ads because she wanted her business to appear at the top of search when she knew potential customers would be searching.
Their business is calls-focused and Google Ads made their phone ring and brought in new customers. At the time this photo was taken, they were spending [redacted] quarter [redacted]). They were receiving 32 calls a week.
As a reference, the account is currently paused. This is a pretty typical SMB case study.

SMBs are busy running their businesses and expect simple solutions to digital marketing.

Dogue Grooming and Care
Australia (9 stores)

Jaipur Rugs
Jaipur, Rajasthan

Two Marines Moving
Alexandria, Virginia

SMBs need simple solutions to digital marketing.

Cukin Food Trucks
San Isidro, Buenos Aires, Argentina

Bharath Arts & Crafts
Channapatna, Karnataka, India

Gmaids
Dallas, Texas, USA